

BRIDGES AFRICA

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The WTO's Buenos Aires Ministerial: What Is at Stake for Africa and LDCs?

EXCLUSIVE INTERVIEW

Ambassador of Rwanda and Coordinator of the African Group at the WTO, F.X. Ngarambe

WTO MC11

What should be expected from MC11 from a development perspective?

LDCS

Prospects for LDCs in Buenos Aires and beyond



International Centre for Trade
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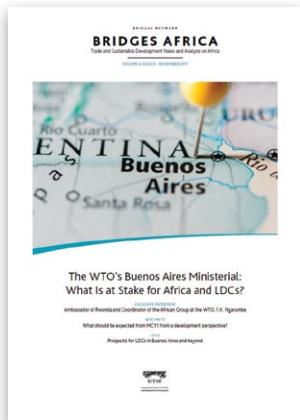
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The WTO's Buenos Aires Ministerial: What Is at Stake for Africa and LDCs?



The launch of the World Trade Organization's Doha Round in 2001, also known as the Doha Development Agenda, triggered much hope among developing countries that the multilateral trade rulebook could be updated to better fit their specific needs and priorities. "We shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development," reads the ministerial declaration adopted in Doha.

Sixteen years later, hope has given way to a degree of disillusionment. Protracted deadlock on core Doha issues – agriculture, non-agricultural market access, and services – led WTO members to disagree on whether or not to reaffirm the Doha mandate at the WTO's Nairobi ministerial conference in 2015, quashing any realistic prospect of concluding this "development round" in its original form.

Despite this dissonance, WTO members have been able to cooperate and produce some tangible outcomes, including issues that can be considered important from a development perspective. The Trade Facilitation Agreement and the 2015 decision to end agricultural export subsidies can be viewed in this light, as can more development-specific outcomes such as the packages secured by least developed countries (LDCs) in Bali in 2013 and Nairobi in 2015 articulated around core priorities like duty-free and quota-free market access, preferential rules of origin, the services waiver, and cotton.

A few weeks ahead of the WTO's Eleventh Ministerial Conference (MC11) in Buenos Aires in December 2017, however, prospects for negotiated outcomes remain highly uncertain – including on rules governing fisheries subsidies seen as the most plausible candidate for a multilateral deal. In addition, it appears that expectations surrounding a substantial agreement on LDC-specific issues are low. This does not mean that Buenos Aires will not carry significant development implications.

In this context, what should African countries, in particular LDCs, expect from MC11? How should they engage in WTO discussions ahead of the conference and beyond? This issue aims at providing some possible answers to these questions. The contributions address various aspects of the multilateral trade talks – through both issue-specific and more systemic angles – and offer insights to better understand how negotiations in Buenos Aires could have ramifications for Africa and LDCs.

As usual, we welcome your substantive feedback and contributions. Write to us at bridgesafrica@ictsd.ch.

AFRICA

Talking African Stakes in WTO Negotiations with Rwanda's Ambassador Francois Xavier Ngarambe



François Xavier Ngarambe
is the Ambassador and Permanent Representative of the Republic of Rwanda to the United Nations Office in Geneva, and currently the Coordinator of the African Group at the WTO.

Bridges Africa met with Francois Xavier Ngarambe, Ambassador and Permanent Representative of the Republic of Rwanda to the United Nations Office in Geneva, to discuss the upcoming Eleventh Ministerial Conference of the WTO. Ambassador Ngarambe is currently the Coordinator of the African Group at the WTO.

Almost two years ago, the WTO held its first ministerial conference in Africa, which saw the adoption of a series of decisions on agriculture, cotton, and LDC issues. What, in your view, is the economic significance of this Nairobi package? And what is your assessment of the work conducted at the WTO since then?

[Ambassador Francois Xavier Ngarambe] It is too early to determine the economic significance of the Nairobi package. Some of its elements can be considered as going in the right direction, while others indicate a major setback.

One of the positive elements of the Nairobi package is the decision to eliminate export subsidies in agriculture. As you know, for many decades, rich countries provided export subsidies to a range of agriculture products, ending up by dumping those products into the world market, thus depressing world market prices. Cheap subsidised imports have negatively affected many commodities in Africa, where a significant number of farmers have gone out of business, rural jobs have been lost and domestic production has suffered. The Nairobi decision to eliminate export subsidies was therefore a good decision in principle. But, in reality, very few countries are still providing export subsidies. Certainly, the decision will be useful in future as a disincentive to any resurgence of such policies. That is why it is important to make the ministerial decision a legally binding obligation subject to dispute settlement.

Other elements of the Nairobi package such as the decision on the implementation of the services waiver or the decision on preferential rules of origin don't provide any immediate economic benefits to least developed countries (LDCs) because of LDCs' structural challenges and supply capacity constraints. On cotton, the decision on market access for some cotton products was considered a step forward. However, there is a need to conduct a market access analysis based on accurate trade data in order to make an informed assessment.

The negative aspect of the Nairobi package is the denial of the Doha mandates, as reflected in the Nairobi Declaration, paragraph 30: "We recognize that many Members reaffirm the Doha Development Agenda [...] Other Members do not reaffirm the Doha mandates..."

This was a major setback in the pursuit of development-driven outcomes initiated with the launch of the Doha Development Round in 2001. The round raised many expectations and promises to generate more economic benefits to developing countries and LDCs, but developed countries failed to deliver until that abrupt decision denying the Doha mandates. Furthermore, paragraph 34 of the same declaration introduced new issues which are still controversial: "While we concur that officials should prioritize work where results have not yet been achieved, some wish to identify and discuss other issues for negotiation; others do not. Any decision to launch negotiations multilaterally on such issues would need to be agreed by all Members."

The entire post-Nairobi process was characterised by this huge divergence. Developed countries focused on pushing new issues for which there is no mandate (e-commerce, investment facilitation, micro, small and medium-sized enterprises (MSMEs)), while being reluctant to engage on longstanding mandated issues.

The Eleventh Ministerial Conference of the WTO (MC11) in Buenos Aires this December is fast approaching. What are the African Group's priorities for the conference? What would a successful outcome look like for the continent?

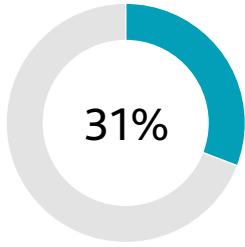
[FXN] The African Group's priorities are duly expressed in the African Union Trade Ministers' Declaration and articulated in all meetings of the WTO General Council and other relevant WTO bodies. The list of our priorities is as follows: (i) the elimination of harmful subsidies in agriculture; (ii) an ambitious outcome on cotton; (iii) a permanent solution for public stockholding for food security purposes; (iv) a special safeguard measure (SSM) as a policy instrument to protect African farmers from cheap imports and import surges; (v) an ambitious outcome on fisheries subsidies; and finally, (vi) an outcome on special and differential treatment provisions that will create a conducive international environment for the industrialisation of Africa. Delivering on these issues would create a favourable international environment for boosting productivity, sector linkages and sustainable development in Africa.

Industrial policy is back on the agenda of development economists and national policymakers.

The African Group – with the African, Caribbean and Pacific Group (ACP) and the LDC Group – has submitted a proposal for negotiation in the area of special and differential treatment (S&DT) which focuses on the need for policy space for industrialisation. How can the proposed provisions support development in Africa? And what would be the main challenge to obtaining a meaningful outcome on S&DT?

[FXN] The rationale for the S&DT provisions submitted by the Group of 90 countries is to make the current stringent rules of the WTO more flexible in order to create a favourable international environment for industrialisation. After many decades of negation, particularly following the Washington Consensus, industrial policy is back on the agenda of development economists and national policymakers; it is prominently reflected in our regional and national development frameworks. Notably, the Sustainable Development Goal (SDG) 9 is a commitment to "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." At continental level, the overarching objectives of "Agenda 2063: The Africa We Want," the continent's own development vision, puts emphasis on industrialisation, structural transformation, and economic diversification. Regrettably, WTO agreements are not conducive to the industrialisation of African economies.

For example, Article 18 of the General Agreement on Tariffs and Trade on infant industry protection (with non-operational provisions), the Agreement on Trade-Related Investment Measures (which prohibits local content requirements) or the Agreement on Subsidies – to name a few – hinder the use of those industrial policies. History shows that in their early stage of industrialisation, countries which are currently rich employed a variety of industrial policies, including (i) industry subsidies, (ii) infant industry protection, (iii) local content requirements, and (iv) technology transfer, among others. Some of these measures were even reintroduced by a number of developed countries following the 2008 financial crisis. What we are asking, therefore, is for rules to be relaxed so as to create a fair and equitable multilateral trading system, with rules commensurate with the needs of our economies, instead of rules being kept that prohibit policy tools that have helped others to develop. For information, we have only submitted 10 proposals out of 148 special and differential treatment provisions identified. There is no reason to believe they would not be acceptable. Our participation and partnership in the multilateral trading



According to the FAO, the share of overfished marine stocks increased from 10 percent in 1970 to over 31 percent in recent years.

system are guided by development dividends we can harvest from it. It's the *raison d'être* of our membership.

Since the launch of the Doha Round in 2001, agriculture has been widely considered as one of the centrepieces of the so-called "development dimension" in WTO talks, but it remains unfinished business. What is your take on the state of play in agricultural negotiations?

[FXN] Indeed, agriculture has been and remains for us the centrepiece of the development dimension in WTO negotiations. Agriculture plays a key role in Africa's economy for employment, generation of gross domestic product, rural development, food security, and livelihoods. The Agreement on Agriculture adopted during the Uruguay Round (1986–1994) represents one of the most unbalanced and unfair agreements in international trade. With a huge aggregate measure of support (AMS) and no provision for limiting product-specific subsidies, the WTO agreement has created an environment in which subsidies can depress world market prices in agriculture and easily allow major subsidisers to dump their cheap, subsidised products into others' markets. Article 20 of the Agreement on Agriculture provides for negotiations towards achieving a fair and market-oriented agriculture trading system but this longstanding objective is yet to be achieved.

The state of play in negotiations is not sending any positive signal that we might achieve any significant outcome. Africa's position on agriculture negotiations aims at eliminating all trade-distorting subsidies, particularly targeting the AMS; ensuring clear disciplines on product-specific support to avoid subsidy concentration on some products; and also addressing Green Box support to avoid box shifting. Many developing countries such as ACP countries, China, and India also support this spirit. Other submissions, such as from the European Union, Brazil et al. and from some members of the Cairns Group, do not address the historical imbalances inherited in the Uruguay Round agreement and cannot lead to a market-oriented agricultural trading system. In short, it is not yet clear whether we will have any outcome in this important pillar but we will continue to engage constructively and consistently given its importance to our present and future development objectives.

Fisheries subsidies are perceived as the area where WTO members have the highest chance of agreeing on a concrete outcome in Buenos Aires. What are the stakes for Africa in these negotiations?

[FXN] We fully support a ministerial decision aimed at prohibiting certain forms of fisheries subsidies that contribute to overcapacity and overfishing, as well as the elimination of subsidies that contribute to illegal, unreported, and unregulated (IUU) fishing in line with SDG target 14.6. It is well known that the fisheries sector contributes significantly to economic growth and to food and nutrition security in many African countries. It is therefore important to address all policies causing the depletion of marine resources, as well as policies distorting market rules, depressing market prices, and forcing African fishers out of business. Indeed, available reports are alarming. Today, it is estimated that 58 percent of marine stocks are fished at maximum levels with no room to grow, while the share of overfished stocks increased from 10 percent in 1970s to over 31 percent in recent years. Huge subsidies are a major factor contributing to overfishing and overcapacity and the most harmful subsidies are granted to large-scale industrial fishing. An ambitious outcome addressing these issues – while preserving the policy space for Africa to develop this sector – would be important. Unfortunately, the current state of play doesn't promise any meaningful outcome; it indicates that some WTO members may only agree to address subsidies to IUU but with a work programme to continue negotiations on remaining issues.

Some WTO members have expressed interest in discussing so-called "new issues" at the WTO, including e-commerce and investment facilitation, either on an exploratory basis or with a view to negotiating new disciplines. What is the African Group's approach on these topics and why?

[FXN] New issues such as e-commerce, investment facilitation, and MSMEs do not – as indicated – have a mandate for negotiating new rules. More importantly, we have realised that the proposed rules are more or less similar to those rules negotiated under the Trans-

Pacific Partnership with a hindrance effect on countries with low technological capabilities to catch up. For example, on e-commerce, some members proposed rules such as the free flow of data, the limitation or elimination of data-localisation requirements, as well as non-disclosure of source code, to name a few. These would have a negative impact on the traditional investment benefits (investor establishment, skills development, wages, taxes, and technology transfer). For this reason, the African Group has requested continuance of discussions on an exploratory basis to share experiences, including on the digital industrial policies used by others to develop their digital economies, instead of rushing in and adopting premature rules that will prevent countries from catching up. On investment facilitation, our assessment is that the current proposals for binding rules in this area would undermine the right of members to regulate for legitimate national objectives. We believe that only host states are in a position to decide how investment facilitation norms should apply within their territories, taking into account their unique and differentiated development goals. Rwanda provides a good example in business and investment facilitation reforms. Rwanda didn't wait for multilateral binding rules to reform. Thus, experience sharing at regional and multilateral levels such as through processes of the United Nations Conference on Trade and Development can suffice.

In services, some delegations have also tabled proposals on domestic regulation. Can you briefly explain your group's position in this area?

[FXN] Proposals tabled on domestic regulation of services contain problematic issues that would significantly constrain the ability of African countries to regulate by restricting the policymaking processes of governments. To give one example, regarding the rule-making process, it is suggested that when a member wishes to develop a "measure" – which is defined as "any law, regulation, rule, procedure, decision, administrative action or any other form" – the said member has to ensure that the measure is based on objective and transparent criteria, is not more burdensome than necessary, is conducted with reasonable and impartial procedures, and that the member has granted all interested foreign states and companies unrestricted access to the policymaking processes and taken their views into account. I believe we all follow that process in one way or another. But such a mandatory rule would definitely invite more pressure from multinational companies on our domestic regulatory processes and would undermine the right to regulate of our governments.

Compared to this year, it seems that WTO negotiations ahead of the last two ministerial conferences in Bali and Nairobi had a more pronounced focus on development, including on specific LDC issues. Why is this the case?

[FXN] Since the Nairobi Tenth Ministerial Conference, we have noticed a consistent tendency to sideline development-driven outcomes while dragging in new issues such as investment facilitation and MSMEs in a manner that makes them look like issues of critical interest to developing countries. We anticipate that the real effect of new issues would be to fast-track proponents' agenda in the WTO for intrusive rules that would undermine the right to regulate of our governments and defeat our development agenda. Those who continue to frustrate development-driven outcomes play against the very definition of the inclusive multilateral trading system we all agreed to build.

Looking at things from a longer-term perspective, beyond Buenos Aires, how do you think WTO rules and the multilateral trading system can best support sustainable development and structural transformation in Africa?

[FXN] There is a need for a paradigm shift both at national and multinational levels to support structural transformation through inclusive and sustainable industrial development. Multilateral rules should be supportive. In agriculture, including cotton, there is an urgent need for rich countries to eliminate all trade-distorting support measures and to provide special and differential treatment provisions – including SSM – to developing countries. Other existing WTO agreements and rules should be adjusted to respond to the needs for industrialisation of less technologically advanced countries. National efforts to develop supply-side capacities in Africa will always be frustrated and even annihilated if the corrections to the multilateral trading system that have been mentioned are not effectively addressed.

LEAST DEVELOPED COUNTRIES

Prospects for LDCs in Buenos Aires and Beyond

Christophe Bellmann

Least developed countries are confronted with significant challenges to preserve the integrity of the multilateral trade system and advance their development needs at a time when some large players seem to disengage from the WTO. What is at stake for them at Buenos Aires and beyond?

Least developed countries (LDCs) share a common set of well-known structural handicaps, including low income levels, high economic vulnerability, and weak human assets. In spite of their high dependence on international trade, these handicaps largely affect their ability to participate in the global economy and tends to confine them in the role of "deal takers" in international negotiations. Indeed, the small size of their economy and their marginal share in world exports limits their leverage in trade talks and, ultimately, their influence on final outcomes, even if LDCs represent a significant share of the WTO's membership. As the weakest players in the system, with few other alternatives to promote their trade integration, LDCs have nonetheless a strong interest in a well-functioning rules-based multilateral system to govern economic interdependencies, provided that their concerns are effectively addressed. Based on these premises, LDCs have traditionally used different approaches to advance their development interests in WTO negotiations.

Engaging as a group

First LDCs have organised themselves as a group and participated actively in the various negotiating bodies by articulating offensive interests in areas where concessions are sought from others and seeking specific exceptions where the group has defensive interests. Unsurprisingly, such an approach has involved building alliances with other groupings and identifying where differences between large players can be bridged. This is largely how the group has engaged in most Doha Round issues so far. The upside of such an approach is that it ensures the group representation in smaller negotiating configurations and that its interests are taken into account. In the absence of significant economic leverage, however, LDCs concerns tend to be only partially reflected in the final outcome. This approach also implies that other members are willing to engage constructively in such negotiations. Otherwise, the group runs the risk of negotiating with itself.

Identifying LDC specific issues

A second strategy consists in identifying LDC specific issues and propose stand-alone solutions to address them. Examples of this approach include discussions around previous LDC packages at the Bali and Nairobi ministerial conferences built around duty free quota free market access (DFQF), rules of origin, cotton, or the services waiver. In other instances, LDCs have raised specific concerns around incentives for transfer of technology under TRIPs Article 66.2 or WTO accession by LDCs. The main rationale behind this approach is the recognition that the special handicaps faced by LDCs require special solutions. It also assumes that large players may be more likely to give concessions if these are limited to LDCs, as opposed to the broader WTO Membership or the larger traditional category of developing countries. Here again, the downside is that LDCs have limited leverage and essentially rely on the good-will of other WTO members. This may explain why only incremental steps have been achieved so far in areas such as DFQF. In other cases, designing LDC specific solutions may not be possible – cotton subsidies being a case in point.

Using number as leverage

A third approach consists in using number as leverage, for example by building linkages among different negotiating areas and conditioning progress in one area on concessions being granted in another. Currently, 36 WTO Members and 7 observers are recognised as LDCs. This represents a significant share of the total membership, making it possible – at

least in theory – to block negotiations on existing or new areas and put pressure on other members. The downside here is the risk to undermine the relevance of the multilateral trading system and push larger players to disengage or go for alternative avenues such as plurilateral approaches or regional trade agreements.

Towards Buenos Aires

As we move towards the Eleventh Ministerial Conference (MC11) of the WTO in Buenos Aires, the extent to which any of the approaches described above may lead to meaningful outcomes remains highly uncertain, at least under current political circumstances. The approach consisting in crafting a small LDC package may have worked in the past but seems to have reached its limits after Bali and Nairobi, with members having exhausted the scope for incremental steps in areas such as cotton, rules of origin, or DFQF. While improvements remain needed in most of these areas, progress does not necessarily require collective action at the WTO and can be implemented unilaterally as illustrated by the case of trade preferences under the services waiver. In other areas, like cotton subsidies, most low-hanging fruits have already been harvested, and taking the next step would imply significant domestic reforms which may be difficult to envisage as a stand-alone decision.

The LDCs cannot afford not to participate in re-defining the terms of engagement of future negotiations. They should actively contribute to designing a clear post-Buenos Aires roadmap in which LDC priorities are front and centre.

Beyond LDC-specific concerns, prospects look similarly bleak on other aspects of the negotiations, maybe with the exception of fisheries subsidies. In agricultural domestic support and public stockholding, despite numerous submissions – including by LDCs – proposing new approaches to cut subsidies, positions remain far apart, particularly between the US, other large subsidising countries, and big emerging economies (for more on this, see the article by J. Hepburn in this issue). Tensions have further increased after the US initiated a dispute against China's domestic support provided to rice and wheat, making prospects for a negotiated outcome in this area rather unlikely. On special and differential treatment (S&DT), another area highlighted by some as a potential deliverable for MC11, an already narrowed-down proposal by the G90 focusing on 10 areas for reform – out of the 20 discussed before Nairobi – has been unequivocally rejected by most OECD countries, partly on the ground that such proposals failed to differentiate among developing countries.

Under such circumstances, LDCs could conceivably try to put pressure on other WTO members by establishing linkages with other negotiating topics. For example, several members have expressed interest in digital trade. Others have highlighted domestic regulations as an area for a possible MC11 outcome. India has been pushing for services facilitation. Brazil has suggested a focus on investment facilitation. LDCs could condition further engagement in these areas on achieving meaningful outcomes on traditional LDC priorities. However, using such linkages as leverage can only succeed if large players are sufficiently interested in getting an outcome elsewhere to envisage possible concessions to LDCs. In practice, this may not be the case, as illustrated by the reluctance of some large WTO members to undertake potentially painful domestic reforms. Furthermore, the new mindset prevailing in the US under the Trump administration has led Washington to disengage on several fronts, amid repeated criticism of multilateral trade cooperation and the WTO as an institution. Talking about MC11, the US has already made it clear that it was not expecting any major negotiated outcome, raising significant questions about what could reasonably be achieved under such circumstances.

The way forward

Confronted with this reality, LDCs have several options which could arguably be combined. If the general sense is that large players are unwilling to engage, a logical approach for LDCs may consist in simply restating their maximalist positions in areas where they have specific interests (e.g. agriculture, cotton, S&DT) and blocking progress where they are not proponents (e.g. services, investment facilitation). This would guarantee that nothing happens in Buenos Aires, but at least it would prevent LDCs from giving anything away. It would also allow them to keep all their bargaining chips intact in anticipation of future negotiations if and when WTO members decide to re-engage sometimes after Buenos Aires. Put more simply, in light of current political uncertainties, particularly on the US front, some delegations may decide to disengage and wait until the stars realign. The downside of this approach is the high risk of further undermining the multilateral trading system upon which many LDCs rely. It will do nothing to address urgent development concerns and offers no guarantee that talks may pick up again in the near future. This approach may also underestimate the deep concerns that the US has with the WTO if it simply expects things to "go back to normal" after a 4-year parenthesis.

A second approach would consist in maintaining LDCs' engagement, harvest what can reasonably be harvested, reaffirm the relevance of the multilateral trading system and the role of international cooperation, and prepare a possible roadmap for post-Buenos Aires negotiations. Granted, very little is likely to happen on agriculture or S&DT, but there is some constructive momentum around fisheries subsidies and a real opportunity to achieve a meaningful agreement on a topic of significant importance to LDCs from a trade, food security, and livelihood perspective (for more on this, see the article by A. Tipping in this issue). Such an agreement would also go a long way in contributing to the achievement of Sustainable Development Goal 14. Moreover, LDCs have a major stake in ensuring that large players in the WTO remain engaged under terms and conditions that fully take into account LDC concerns. To achieve this, LDCs will have to contribute to a higher-level discussion on the merit of international cooperation and the role of the WTO. Finally, the LDCs cannot afford not to participate in re-defining the terms of engagement of future negotiations. They should actively contribute to designing a clear post-Buenos Aires roadmap in which LDC priorities are front and centre. In these debates, LDCs will of course see increased pressure to address "other issues" such as digital trade or investment. They might want to show openness in exploring some of these issues, provided that their priorities are given equal prominence, not least because disciplines in those areas are increasingly crafted outside of the WTO where LDCs are not represented.



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AFRICA

Give Africa Policy Space for Structural Transformation

Carlos Lopes

The WTO may have celebrated its 20th anniversary in 2015 with an African-flavoured “Nairobi package”, but has the continent really benefited from current trade negotiations?

The policy debate in Africa has centred over the last few years on the exact policy mix required for structural transformation. Many argue that industrialisation should be at the heart of such a process, while others nuance this ambition with warnings about the threatening clouds gathering over the future of manufacturing and the continent's lateness for such a venture. Beyond the conceptual discussion, the political realities of the continent may rather call for a choice between rent-seeking behaviour versus more ambitious strategic state intervention. We may think that in a post-Washington-Consensus world the role of the state in creating the conditions for real structural transformation is uncontested. Nothing is further from the truth.

African economies may be emerging and demonstrating greater ambition, but the recent few years have demonstrated the quality and the limits of their growth model, as observed since the turn of the century. Thanks to reduced debt, better macro-economic management, and higher demand and prices for commodities, the last decade and a half has certainly positioned the debate beyond restrictive policies. More than any factor, demographic shifts, and with them growing internal demand, have been the key driver of growth. But commodity dependence continues to drive fiscal policies, investment perceptions, and trade negotiations.

Preferential schemes have not helped industrialisation

It is true that Africa already produces the equivalent of half a trillion US\$ of manufactured goods a year. The continent is not a desert dreaming of a 19th century Manchester-like industrial makeover. What is needed is an acceleration of industrial change that will only be viable with grounded policies. Policies that should protect Africa's infant industries in a context that has only deteriorated since the industrial revolution. Every other region has benefited from conditions for their industrialisation that are no longer there.

The common wisdom sustains that a system of preferences, as championed by many at the WTO, will address Africa's lateness. The evidence is proving the opposite. Preferential schemes have not helped industrialisation for several reasons. They tend to frame trade relations on current unfavourable patterns, partly because Africa has not been able to take advantage of what is offered, with difficult rules of origin imposing minimum levels of local production.

Trade preferences cannot build regional value chains, a fundamental step to integrate complex global production systems, dominated by skewed intellectual property regimes. Little attention to backward and forward linkages, increased worker productivity, upgraded skills, as well as to the development of reliable infrastructure networks are amongst the most illustrative examples of why preferences alone are unlikely to produce results. The quicker African countries realise their narrow windows of opportunity, the faster their industrialisation acceleration may occur.

Boosting intra-Africa trade

Africans have been talking about regional integration for a long while, without conclusive outcomes.^① The current efforts for the establishment of a Continental Free Trade Area (CFTA) may change the picture. The CFTA would create the single market with the largest

country membership in the world, within the fastest-growing region both in terms of population and consumption. If it comprehends ambitious reforms, synchronised infrastructure development, particularly in the areas of transport and energy, and trade facilitation favouring cross-border exchanges, the CFTA will easily offset the expected declines in country-specific tariff revenues produced by such liberalisation.

Because Africa's demand for processed food, low-value manufactured goods and less complex consumption necessities is booming, the potential to increase industrial output responding to those needs will be significant. The road to more sophisticated knowledge-intensive industrial production may be distant, but what is needed now is within reach.

The main obstacle for such an industrial drive may well be the straightjacket Africa finds itself in when it negotiates trade agreements. The CFTA is constantly being placed at the back of a multitude of bilateral and multilateral agreements pressured on Africa, such as the EU-led Economic Partnership Agreements (EPAs). These agreements fragment Africa, divide it in different parcels with diverse conditions and preferences, undermining the continental intra-Africa trade prospects requiring harmonisation. The right sequencing for pursuing Africa's major interests is constantly disturbed by such interferences.

Africa needs to take cognizance of the asymmetric protection structures that influence the positions taken by its trading partners. Uneven trade gains are being overlooked because of constant pressure, or apparently nice temptations. Financial compensations, for instance, may look good in the short term, but they are a devil that hides its tail.

WTO relevance

The saga around the Doha Round and the public plea by some WTO members that it may require a rethink are the best demonstrations of how little the WTO has delivered on the promise to approach trade as a means for development, rather than an end in itself – a lack of results often camouflaged with unchecked spectacular projections about the benefits brought by trade liberalisation.

Becoming a WTO member automatically restricts a country's policy space, although for least developed countries there is room to manoeuvre. It is true that proposals for agricultural and non-agricultural market access do not imply any cuts to be made by the latter in the near future. However, the story is definitely very different for African countries in the middle-income category. The impacts of current WTO rules on trade-related investment measures and intellectual property rights are also uncertain.

If EPAs are considered, the limitations increase. Although WTO rules do not preclude import taxes, the EPAs will monitor and restrict them. Any concession made by African countries to other major trading partners would automatically be applicable to the EU, limiting the freedom allowed by WTO rules. The typical demonstration of these policy constraints is the popular contracts African countries negotiate with the likes of China and India for furnishing them with natural resources against favourable investment and aid packages. That type of deal will no longer be treated the same way after EPAs are implemented. The EU will have the right to request, against vague (non-committal) aid promises, the same treatment.

So far, many WTO members pay lip-service support to the CFTA, without demonstrating their commitment for the creation of the conditions that would protect Africa's policy space, which is indispensable for the continent to pursue vigorous industrialisation. With just a few more weeks left before the end-of-the-year deadline established by the African Union to conclude the CFTA agreement, time is evaporating fast. Whoever believes in a stronger African performance as a sign of valuing global public goods better rush. Africans first, to protect what is left of their policy space in trade negotiations.



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① Lopes, Carlos. "Inching toward Integration." IMF, *Finance & Development* 53, No. (June 2016),

FISHERIES

Tackling Fisheries Subsidies at the WTO: What's in it for LDCs?

Alice Tipping

At the Buenos Aires ministerial conference, WTO members will have an immediate opportunity to make progress against the UN Sustainable Development Goals (SDG) target 14.6 by establishing meaningful disciplines on fisheries subsidies to curb their environmental effects on fish stocks. Why are these talks of importance to LDCs?

Fisheries play a crucial role in supporting the livelihoods and nutrition security of hundreds of millions of people around the world. According to the UN Food and Agriculture Organization (FAO), in 2013, fish provided more than 3.1 billion people around the world with nearly 20 percent of their average per capita intake of animal protein. In some least developed countries (LDCs) and small island developing states, this figure often exceeds 50 percent. Fish production is also an important source of employment: together, capture fisheries and aquaculture support the livelihoods of between 10 and 12 percent of the world's population, who are variously involved in harvesting or post-harvest activities, including processing and distribution.

In Africa alone, the FAO estimates that 12.3 million people are directly employed as fishers or processors, with the vast majority of them in artisanal fishing. In terms of trade, in 2014, fishery exports from developing countries were worth US\$80 billion, according to the FAO, generating more revenue for developing countries than many other agricultural commodities, including meat, tobacco, rice, and sugar, combined. For some LDCs, fish exports account for a major share of total exports. Between 2000 and 2013, for example, fish represented around 25 percent of Senegal's total exports, around 30 percent for Mauritania, 42 percent for Cape Verde, and over 50 percent for Vanuatu.

The rationale for international disciplines on fisheries subsidies

Wild fisheries' ability to continue to meet the needs of a growing global population is limited. Most fisheries for which the FAO collects data are already fully exploited; around 31 percent are overfished and only around 10 percent may be able to produce larger harvests. As a result, aquaculture is playing an increasingly important role in filling the demand gap. In this context, subsidies provided to the global fishing industry can tend to undermine efforts to conserve wild fish resources for sustainable use. Estimates suggest that of the US\$35 billion in subsidies provided annually to the industry, around US\$20 billion are provided in forms that tend to enhance fishing capacity.

While LDCs only account for a marginal share of global subsidies, this type of support has often enabled large industrial fishing nations to exploit resources beyond their national economic exclusive zones (EEZ) in the high seas, but also close to or in the EEZs of several LDCs. In the absence of effective fisheries management regimes in poor countries, subsidies can contribute to increasing fishing effort and harvests beyond sustainable limits, sometimes at the expense of local artisanal fishing communities in LDCs. Overcapacity combined with weak enforcement of national regulations in LDCs have also resulted in significant rates of illegal, unreported, and unregulated (IUU) fishing (see box 1).

Ensuring that fisheries can continue to support sustainable development is a key objective of the UN's 2030 Agenda for Sustainable Development, which dedicates one of its 17 Sustainable Development Goals (SDG 14) to the conservation and sustainable use of oceans, seas, and marine resources. In SDG target 14.6, UN member states committed to prohibit, by 2020, certain forms of fisheries subsidies that contribute to overcapacity and overfishing and to eliminate subsidies that contribute to IUU fishing, explicitly acknowledging the role of WTO negotiations in reaching this objective. At the WTO, members' mandate for these negotiations, established in the Doha Declaration and

reaffirmed by the Hong Kong ministerial declaration, underlines the importance of the sector in the development priorities of developing country and least developed country member states. LDCs, like all players in the international trading system, arguably have an interest in reaching a meaningful agreement which demonstrates that the multilateral trade system is a useful forum for international cooperation and rule-making, and that it both contributes, and is seen to contribute, to sustainable development and poverty reduction.

The proposals currently on the table

The proposals on the table in the WTO negotiations focus, among other things, on subsidies that contribute to illegal, unreported, and unregulated (IUU) fishing; subsidies provided to fish already overfished stocks; and subsidies that contribute to overcapacity and overfishing. These are concerns that the LDC group shares with the entire WTO membership, but are arguably particularly acute for some LDC WTO members.

As highlighted in box 1, losses to illegal and unreported fishing is a particularly acute challenge for LDCs. Around 37 percent of all catch in the Central Eastern Atlantic (off the coast of West Africa), for example, has been estimated to be illegal and unreported. Worldwide losses have been estimated at between US\$10 billion and US\$23 billion per year, and in some regions the problem is particularly severe. The same study also indicates that illegal and unreported catch tends to be higher in areas where governance is weak. This suggests that LDCs with marine fisheries sectors and that face governance challenges could stand to benefit from a multilateral agreement that reduces subsidies paid to vessels and operators engaged in illegal fishing.

The WTO membership as a whole, and LDCs in particular, could also stand to gain from a multilateral agreement that resulted in reduced harmful subsidisation of fleets which exploit fish stocks that are already overfished. As highlighted above, the FAO's 2016 State of World Fisheries and Aquaculture estimates that in 2014, just over 31 percent of global fish stocks were overfished, meaning that increases in their production would only be possible after stocks had been allowed to return to healthy levels. To the extent that subsidies to fishing activity impede overfished stocks from growing back to levels where they can produce maximum sustainable yield, they may in fact prevent fisheries from contributing as much as they could to food production. This should be a concern for the WTO membership as a whole, given that it is a pervasive problem in global fisheries. The World Bank has estimated that allowing global fish stocks to rebuild could increase annual harvests by 13 percent, with consequent potential improvements for the incomes and food security of communities that depend on fisheries in both developed and developing countries.

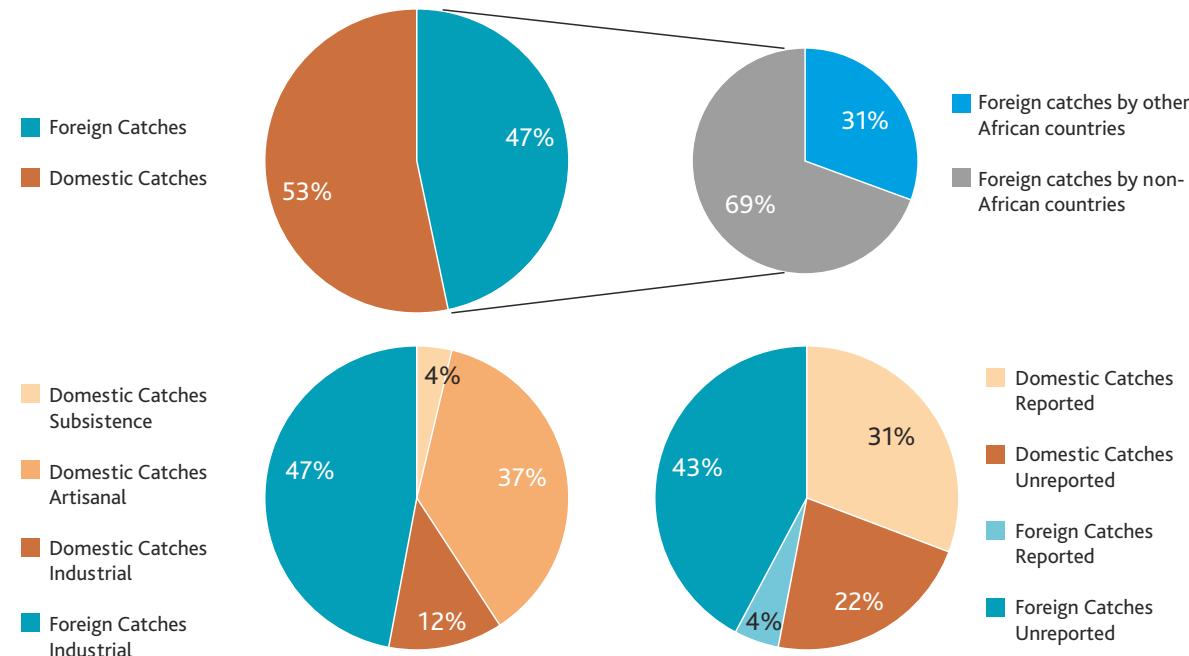
Finally, further proposals on the table in the negotiations would limit subsidies to operating costs (often considered to contribute to overfishing) and to capital costs (often considered to contribute to overcapacity in fishing fleets). Subsidies to fuel, in particular, can support distant water fishing that often target fish resources within and just outside EEZs under national jurisdiction. As highlighted in box 1, estimates suggest that a large proportion of catch by foreign vessels in some EEZs – such as those of ECOWAS countries – is not reported, undermining national and regional fisheries management efforts. This suggests that WTO members, in particular those LDCs that lack the capacity to monitor their EEZs closely, could stand to gain from new disciplines that would limit subsidies to operating costs, such as fuel subsidies, as such support can enable distant water fishing vessels to fish without authorisation in their EEZs.

Developing new rules on subsidies based on their environmental impact is a new kind of role for the trade system and the WTO in particular, but such an endeavour enjoys significant political support. It represents a key opportunity for the WTO to demonstrate the relevance and value of a cooperative trade policy approach to a collective sustainable development challenge.

Box 1: Challenges facing LDCs, the case of ECOWAS

Figure 1 below illustrates some of the challenges facing African countries by looking at the case of West Africa, and more specifically coastal states in the Economic Community Of West African States (ECOWAS). The data presented here comes from the “Sea around us project” from the University of British Columbia and combines both official reported data and reconstructed estimates of unreported data in individual EEZs, enabling estimates to be made of actual fishing levels. Overall, figure 1 shows that, in 2014, foreign vessels accounted for 47 percent of total catches in ECOWAS waters. While this number includes capture by other African countries, 69 percent of foreign catches were by distant water fishing nations including China, the Russian Federation, South Korea, and several EU countries (Spain, France, Germany and Greece). Some of these countries have traditionally provided significant amounts of subsidies to their fishing industry, which may have made it more economically viable for vessels to travel such a long distance to fish. While foreign vessels fishing in the EEZs of ECOWAS countries are all large scale industrial boats, figure 1 shows that domestic catches are largely dominated by subsistence and artisanal fishing. To the extent that the fleets compete directly for access to the resource, larger scale foreign vessels are likely to have an advantage. Finally, reconstructed data provided at the right bottom of figure 1 shows that the vast majority of foreign catches are not reported and possibly illegal. More specifically, it suggests that 43 percent of total capture in ECOWAS countries could come from unreported foreign catches and 22 percent from domestic catches. The level of unreported catch, in particular, highlights the urgent challenge posed by IUU fishing in ECOWAS countries.

Figure 1: Wild marine capture in ECOWAS countries' EEZ (percentage of total volume of catches, 2014)



Source: Data from the “Sea Around Us” project at the University of British Columbia, <http://www.searroundus.org/data/#/search>



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WTO

Strengthening the WTO: On the Strategic and Welfare Necessity of Addressing "New" and "Traditional" Issues

Chiedu Osakwe

Ahead of the WTO's Eleventh Ministerial Conference in Buenos Aires, some WTO members have expressed interest in including aspects of the so-called "new economy," in particular investment facilitation and e-commerce, in multilateral trade talks. Why should African countries engage on those topics?

With a membership totalling 164, the WTO is grappling with the ever-present reality of the diversity of its economies. The wide spectrum of development levels, in a rules-based multilateral trading system, is not new. It has always presented a challenge. In the past, however, solutions to trade negotiating conundrums were found within the technical paradigm of "one size largely fits all" template for developed, developing, and least developed countries. However, this time the negotiating environment is very different. There are ongoing and uncertain transformations in geopolitics, real-time spillovers from the domestic politics of members, a more robust advocacy of commercial interests from a wider range of the membership, and uncertain effects from regional integration processes. These have affected the context of trade negotiations. Trade negotiations are much harder. One size will not fit all. Consensus has become more elusive, although international cooperation is more desperately needed than ever before. Neither the status quo nor business as usual are an option.

Yet opportunities for cooperation are abundant. To modernise and strengthen the WTO, its negotiating agenda and work programme must include so-called "new economy" topics such as e-commerce and investment facilitation; the provision of a global trading platform for micro, small, and medium-sized enterprises (MSMEs); and the integration of women into the formal trading system. These will need to be combined with the resolution of the standing agenda in agriculture, notably food security for the poor and the elimination of harmful subsidies that lead to human poverty and impoverish the environment, such as in the fishery sector. Modernising the organisation thus entails resolving welfare-based aspects of the "traditional economy" that are significant for many, while at the same time updating the work programme by including aspects related to the "new economy." In doing so, trade multilateralism in the WTO should reform, or reorganise, structurally to meet the test of elasticity – responsiveness to the range of negotiating interests of its members, in a variety of formats and configurations. It is our duty as negotiators to find compromises, under win-win scenarios. If we allow the rules-based system to break, we may not be able to put it together again. All will suffer, but the weaker, will suffer more.

In December, WTO members will meet in Buenos Aires at the organisation's Eleventh Ministerial Conference (MC11). There is everything to play for in strengthening the WTO, the global economy and, in the rules-based multilateral trading system, better supporting domestic structural reforms for growth. We have to call for new ways of doing things at the WTO that are not set-pieces, but more like a dynamic running game, in which the range of economic and trade policy issues of economic value and the configuration of commercial interests in the membership are handled simultaneously.

Even as there is urgency to modernise the WTO with "new economy" issues, agriculture matters. It remains a gateway issue not only at the WTO, but also in the wider global economy. On average, over 30 percent of the world's population is dependent on agriculture for their livelihood; this proportion climbs to more than 50 percent in Africa, and over 55 percent in sub-Saharan Africa. In the special session of the WTO's Committee on Agriculture, there is a technically solid set of proposals that encompass

public stockholding for food security purposes, domestic support, cotton, export prohibitions and restrictions, and sanitary and phytosanitary measures. These issues should be addressed and resolved. This is core business for the WTO. To build confidence, keep the promises of the system, and clear the path for moving forward, members must now confirm a permanent solution for public stockholding for food security purposes for adoption at MC11. A rules-based system must be predictable in the implementation of its undertakings. Related to that, technical solutions should and can be found in the area of domestic support provided for traditional staple food crops in pursuance of public stockholding programmes for food security purposes. The solutions will not be big-bang, but incremental, steady, and cumulative to resolve longstanding imbalances in agriculture.

While dealing with the significant issues of the so-called "traditional economy" is essential, the "new economy" issues are of equal importance. If the WTO is to remain relevant, if it is to be counted as one of the key global institutions for economic governance and trade cooperation, then it must modernise by establishing a negotiating agenda for the "new economy." If it does not, other institutions and negotiating fora, including regional free trade agreements, will take its place and usurp its functions. This should not happen. At this time, the principal items related to the "new economy" are investment facilitation, e-commerce and the digital economy, and the establishment of a global trading platform for MSMEs. This is a partial list and does not foreclose other "new economy" issues. Let me focus, in part, on the two issues of investment facilitation and e-commerce.

The example of trade facilitation

Facilitation of trade and investment for development is critical. It strengthens the development dimensions of the trading system. The Trade Facilitation Agreement (TFA) is squarely within the remit of the WTO. In February this year, the WTO TFA entered into force, providing for the simplification, modernisation, and harmonisation of export and import processes. The agreement contains provisions for expediting the movement, release, and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity-building in this area. The TFA is not only important for the global economy, but carries even greater weight in supporting the domestic structural reforms of developing countries like Nigeria for example. Estimates indicate that if fully implemented, the TFA could reduce trade costs by an average of 14.3 percent and boost global trade by up to US\$1 trillion per year. Developing countries would gain most.

When the TFA came into force in February this year, Nigeria was among the WTO members that had already ratified the agreement. Its ongoing implementation is complementary to the initiative of Nigeria's President Buhari aimed at fostering an enabling business environment and improving the country's Ease of Doing Business. The objectives are targeted on the reduction of red tape; improvements in registration of businesses; transparency; expedited exit and entry into Nigeria; the promotion of inter-agency collaboration, as in the "One Government" directive, etc. The rewards are being reaped. In the 2017 "Doing Business" rankings just released by the World Bank, Nigeria dramatically ascended by 24 places compared to last year, and is listed among the top 10 global reformers. These results are historic and indeed dramatic: economies and countries that do the right thing reap a bountiful harvest in the reputational rewards associated with improved rankings, faster growth, and expansion in job opportunities. The markets punish economies that pursue unsound policies.

Investment facilitation

Investment facilitation is also squarely within the remit of the WTO. In fact, the WTO General Agreement on Trade in Services (GATS) already serves as the largest investment treaty in the world, and has even greater potential if we work to "facilitate" its use as a development tool. Investment in services trade through Mode 3, or commercial presence, can be facilitated under the GATS, which is nothing less than a framework for foreign direct investment (FDI).

US\$ 2.5 trillion

According to UNCTAD, developing countries will need an additional US\$2.5 trillion annually in foreign and domestic investment to meet the Sustainable Development Goals.

Investment is an enabler for trade and development. Without investment, trade flows would be paltry and development financing would be inconsequential. Research shows that FDI remains by far the leading source of external funding for development, at 60 percent on average globally. Moreover, in comparison to developing countries in Asia, Europe, North America, and Latin America, Africa still hosts the lowest amount of FDI.^① It is difficult to foresee how the Sustainable Development Goals (SDGs) and the African Union's Agenda 2063 can be achieved in the absence of investment facilitation. Investment facilitation is and will be one of the foundational pillars of the development dimension of the rules-based multilateral trading system. In fact, UNCTAD forecasts that developing countries will need an additional US\$2.5 trillion annually in foreign and domestic investment to meet the SDGs. Related to this, the World Bank has estimated Africa's total infrastructure investment requirements at approximately US\$120 billion to US\$150 billion per annum. The gap between infrastructure investment requirements and available financial resources is estimated at about US\$60 billion to US\$80 billion per year.

Investment facilitation entails creating a more investment-friendly business climate as a counterpart to the WTO Trade Facilitation Agreement. It would make it easier for both domestic and foreign investors to invest, conduct their day-to-day business, expand their existing investments, and work cooperatively and in mutually beneficial ways without discrimination to domestic and foreign investors. This is a good thing.

The WTO has a role to play, including by clarifying, improving, and applying existing rules, although this role is not exclusive. There are huge gains to be reaped through coordinated work with UNCTAD and the OECD. Nigeria believes that further discussions are necessary to explore how the WTO could contribute to encouraging cross-border investment, with the ultimate objective of promoting more inclusive trade and growth for all its members, especially developing and least developed members. This role of the multilateral trading system should be in cooperation with regional institutions like the Economic Community of West African States (ECOWAS). This is why Nigeria, in partnership with the ECOWAS Commission and the WTO Friends of Investment Facilitation for Development,^② co-hosted the High-Level Policy and Private Sector Forum on Trade and Investment Facilitation for Development, in Abuja on 2–3 November. The High-Level Forum adopted the "[Abuja Statement](#) – Deepening Africa's Integration in the Global Economy through Trade and Investment Facilitation for Development." This statement indicated how Nigeria and its partners see forward movement in this sphere.

There is good business logic to creating a common set of multilateral principles and approaches for investment facilitation, for consistent standards, reduction of regulatory uncertainty, and minimisation of transaction costs for all investors. These principles should be mutually supportive with regional integration processes and approaches. If we anchor investment facilitation reforms in a shared multilateral framework, it will bolster our collective commitment to encouraging investment and increasing policy certainty. This will send an unmistakably powerful signal to investors. Technical assistance and capacity-building support will be required to benefit from these reforms.

Investment and trade policies are complementary, companion policies and inseparable from each other. They are mutually supportive engines for growth and development. To a large extent, trade and investment facilitation provide the fulcrum to leverage the gains from structural reforms. In their mutually reinforcing roles, they support domestic structural reforms, promote inclusive growth, and foster global development.

We require a WTO work programme and associated negotiations in this area because the rewards are considerable. They include, but are not limited to: support for domestic structural reforms; contributions to good governance; growth and job creation; trade and investment policy coherence; regulatory transparency for reliability and predictability; international cooperation that contributes to locking in domestic reforms and levelling the playing field on domestic incentive structures and packages; and international cooperation that provides a platform for efficiently scaling up technical assistance.

E-commerce

The twenty-first century is defined by the digital revolution. Even though technological developments will always race ahead of policy and regulatory development, the least we should do is to try to stay in lockstep. The worst possible reaction is to give up on keeping pace. Rules are inevitable, either formally negotiated or arising from practice and patterns of behaviour that are eventually codified. Negotiated rules are better than those that emerge with built-in imbalances. Negotiated rules improve, correct, and structure relationships to ensure they are equitable.

The challenge and opportunity of e-commerce in Africa should be set in the broader context of the digital economy. E-commerce and the digital economy can produce huge net gains for Africa in growth, job creation, and access to global markets. Engagement in the digital economy is about economic modernisation, transparency, and good corporate governance. The emergence of e-commerce is the product of fast-paced changes in technology that have presented Africa with the gift of opportunity. Maximising its potential will depend on how the continent responds. Not engaging would be a mistake. It would further set the continent back, delaying development and widening the digital divide.

There are real challenges in the reality of the digital divide. The hurdles impeding e-commerce and the digital economy in Africa are largely offline, not online. These principally include low levels of digital infrastructure (hard and soft), involving energy deficits, digital payment systems, financial inclusion, and complex regulatory networks. There are technical challenges in the regulatory domain such as "right of way" problems; data management, privacy, and cybersecurity in general; and the management of the radio spectrum. These are areas where there is scope for more work and capacity-building from our partners, including the sharing of experience.

How should WTO members react to these challenges and handicaps? Nigeria believes that engaging would be better than refusing to engage or seeking technological parity before policy and negotiating engagement. Refusal to engage is not a strategy. Engagement should be accompanied with international cooperation that supports significant capacity-building. Very usefully, the WTO African Group has identified a range of areas where capacity-building would be needed to overcome supply-side constraints. Relevant multilateral institutions have a huge role to play in shoring up capacity weaknesses through dedicated programmes and funding. UNCTAD's eTrade for All initiative is significant and positive, but we need to use this resource in a positive way. Technical assistance cannot be an end in itself. Rather, we need to apply technical assistance to develop our economies and improve the lives of our citizens.

At the same time, the lesson learned is that capacity-building works best when it is delivered within the framework of a coherent package of domestic policy and structural reforms. The objective of these reforms and associated capacity-building in the digital economy is to enable the integration of domestic firms into global trading platforms and into regional and global supply chains. This is why investment facilitation to build "connectivity infrastructure" is desperately needed, particularly for roads, ports, and fibre optic cabling for broadband coverage. Liberalisation of the telecommunications sector assists this process of capacity-building for the digital economy, and e-commerce in particular. Again, the existing GATS under the WTO provides a framework to advance these objectives – but such trade and investment needs to be facilitated.

The digital economy is the next major opportunity for development. Africa should not miss this opportunity. We, as Africans, need to trump timidity and tentativeness and act with audacity. Nigeria's ongoing experience in this area offers a number of good examples. For instance, digital economy strategies and action plans should be integral to domestic structural reforms for diversification, modernisation, and growth. They require mainstreaming into domestic development plans. Africa needs to be offensive in this area, acting innovatively, purposefully, and expeditiously.

Estimates from industry indicate that approximately US\$1 billion could be invested by venture capital funds into the African technology sector by 2018 (particularly start-ups), largely in the area of e-commerce. E-commerce is an area of huge market potential for growth, diversification, empowerment of MSMEs, and as an impetus for Africa's continued integration into global value chains.

What next? Nigeria is part of the group of Friends of E-commerce for Development (FED). We are operating on the basis of a work programme. The work of the FED provides a roadmap endorsed by FED ministers on how the WTO could proceed. More WTO members should join the increasing number in the group. The e-commerce work programme has been in existence for 19 years. For Buenos Aires, members should extend the moratorium on e-commerce. And it is now also time to move to the next stage. This should rationally include establishing a restructured work programme, which fosters coherence and disciplined focus and that includes a comprehensive capacity-building programme for developing and least developed countries, in a dedicated working group. Post-MC11, further engagement should deepen on the basis of this restructured work programme, eventually leading to the negotiation of new "rules".

It is important to be clear that the substance of new "rules" to be negotiated has not been decided and could not have been. There is an expanding set of proposals. This is a good thing. But, as some proposals suggest, before we jump into negotiations, we need to take stock of the current WTO framework of rules in order to identify the need for new rules and disciplines in the e-commerce and digital environment. Discussions on these themes will broaden the landscape for exchanges, engagement, analysis, and for eventual negotiations. As Africa moves forward, it will continue to require the assistance of UNCTAD training and capacity-building. Domestically, national e-commerce strategies and action plans should be developed as a framework for engaging in this exciting dimension of the "new economy."

A moment for modernisation

There is a global and regional economic and trade policy context that is in dynamic transformation, and offers unprecedented opportunities for African trade and investment. We are working hard in Africa to construct the continent's first-ever single market for trade in goods and services. Our timeline for concluding the negotiations is the end of 2017. When we conclude the African Continental Free Trade Area (CFTA), it will be the largest free trade area in the global economy. The CFTA is a priority for Nigeria, as is the WTO, which Nigeria considers an indispensable global public good. Regional institutions and economic communities are and should be mutually supportive with trade multilateralism anchored in the WTO.

There is a collective multilateral duty to modernise the WTO by establishing structured work programmes and an associated negotiating agenda for "new economy" issues, of which the first step is a work programme. Our decision to negotiate is not a gift to others, but in reality an act of enlightened self-interest. Negotiations are the mechanisms we use to settle differences, resolve conflicts, gather information, build knowledge, develop expertise, create opportunities, resolve imbalances, and seek fairness. In fact, negotiations are rights of membership, pursuant to the functions of the WTO, which are integral to the rule of trade law and governance. The mandate to negotiate is embedded throughout the principles, rules, and practice of the trading system.

MC11 must not be a lost moment for the modernisation of the WTO. We must use Buenos Aires to launch work programmes in areas of our own self-interest leading to negotiations on "new economy" topics of investment facilitation and e-commerce.



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❶ Pierre Sauvé. "Recent Developments in Trade and Investment." presentation at MIKTA (Mexico, Indonesia, Korea, Turkey, Australia) Workshop on Trade and Investment, Session 2, Geneva, 20 March 2017.

❷ Argentina; Brazil; Chile; China; Colombia; Hong Kong, China; Kazakhstan; Mexico; Nigeria; Pakistan; Qatar.

WTO

Special and Differential Treatment: A New Approach May Be Required

Nicolas Imboden

Special and differential treatment provisions are an integral part of multilateral trade rules, but have not enabled the WTO's poorest member countries to catch up with more developed countries and fully integrate into the global trade system. Could a new approach help developing countries, and especially LDCs, reap more benefits from international trade?

Special and differential treatment (S&D) has always been part of the WTO and its predecessor, the GATT. Its aim has been to help developing countries integrate fully into the multilateral trading system by providing certain advantages, tariff preferences, and derogations to foster their growth and ability to undertake appropriate rules and obligations. Such provisions continue to be important instruments of the multilateral trading system. However, time has come to adapt them to the new reality of both international trade and international politics.

Tariffs in developed countries have decreased dramatically over the last 30 years, which resulted in the erosion of preferences given to developing and least developed countries (LDCs). The result is that LDCs have or will have very soon virtually the same market access conditions for their key export products as their biggest, more developed and efficient competitors. The objective of allowing developing countries – and especially lower-income developing countries^① – space to develop and strengthen their economic fabric continues to be valid. Protective tariffs for the local economy, however, is not the right means to achieve this goal. A major rethinking of how to realise this objective is required. This has to include a more pro-active approach to the negotiating process for lower-income developing countries, including LDCs, with a view to actively participating in defining development-friendly rules rather than requesting exemptions from rules.

Responding to a changing trade environment

Changes in the composition and destination of trade flows have transformed the negotiation environment. Emerging countries have replaced, or are in the process of replacing, the traditional destinations of exports from lower-income developing countries to the developed world. The rise of free trade agreements (FTAs), regional integration agreements, mega deals, and plurilaterals has also resulted in the increased isolation of LDCs and lower-income developing countries and the erosion of their preferences. At the same time, the political mood towards globalisation in some of the major trade powers has changed. As a result, the WTO is slowly losing its central global position in the world trade arena. It is in the interest of small developing countries and LDCs to help the WTO regain its pivotal role, as it remains the only forum where they can successfully defend their interests.

Development is, at least theoretically, the cornerstone of the Doha Development Agenda (DDA) negotiations. At the same time, a re-evaluation of the S&D concept has taken place both by developing and developed countries, albeit in different directions. Developing countries started to question the economic value of traditional S&D, considering that, given the evolution of the global economy, those benefits got more and more eroded. The thinking of developed countries evolved in the opposite direction. During more than 10 years of DDA negotiations, there has been a clear shift in the attitude of developed countries with regard to S&D. While all WTO members recognise the specific needs of LDCs for S&D – although their willingness to make economically meaningful concessions is less than evident –, they are not ready to grant S&D to emerging countries, which have become major trading powers over the last 10 years. There is no category in the WTO that permits discrimination between emerging economies and developing countries which have lower income and the creation of a new subcategory seems out of reach. There

Special and differential treatment

Special and differential treatment (S&D) provisions give developing countries special rights and allow developed countries to treat developing countries more favourably than other WTO members. Such provisions include, for instance, longer implementation periods or various measures aimed at increasing trading opportunities for developing countries. Some of them are specifically related to least developed countries.

exists, therefore, a fundamental stumbling block in the DDA negotiations on the issue of S&D. New thinking is required to unlock the situation.

Traditional S&D provisions

It is undeniable that the usefulness of traditional S&D provisions has eroded due to the evolution of the global trading system and the way international trade is conducted today (i.e. towards trade in components, through global and regional value chains). The objectives of S&D are still essential and need to be preserved. However, the means to achieve those objectives have to be reassessed.

Preferential market access

Preferential access to markets for developing countries to assist them in integrating in the world economy remains an essential element of the global trading system. However, the value of the preferences may no longer be worth the efforts to fulfil the requirements to benefit from those preferences, such as on rules of origin. Other issues (such as domestic support in developed and emerging countries, standards, and antidumping and countervailing duties) have become more relevant for LDCs than tariff protection per se.

Duty free quota free (DFQF) market access has been provided for LDCs exports by the majority of developed economies, as well as by some major developing countries,²² for a large number of products. However, excluded products often feature agricultural goods, textiles, or footwear, which are sectors where LDCs are competitive. For example, the US does not provide for the required 97 percent of DFQF coverage and, more importantly, does not cover certain products of important export interest to LDCs (textiles and apparel). Due to the high concentration of LDCs' exports on a small number of products, even a 97 percent DFQF coverage may be meaningless if the most important export products are not included, which seems to be the case in the current situation. Moreover, tariffs are no longer the major impediment to market access. Non-tariff barriers (NTBs) are much more important. There are practically no S&D commitments on NTBs. In particular, despite the WTO's best-endeavour decisions on preferential rules of origin for LDCs, rules of origin continue to hamper exports from developing countries and LDCs and are undermining existing preference schemes.

Today, the growing demand for consumer goods, agricultural goods, and industrial inputs (and thus the future markets) is in emerging countries. South-South trade offers untapped potential for exports from poor developing countries and much higher growth opportunities. A fundamental rethinking of the preferential access to markets for developing countries, both in terms of content as well as regarding beneficiaries and preference-granting member states, is needed to make this essential tool of development relevant again.

Exemptions from tariff reduction commitments

Developing countries, in particular LDCs, are often exempted from commitments to reduce tariffs – or are allowed to schedule lower reductions. The basic concept behind this approach is development through import substitution and the idea that infant industries need time to develop production, scale-up, and become internationally competitive. While the objective continues to be valid, the instruments used to achieve this objective seem no longer efficient or appropriate.

The evolution of the global market requires the integration of different components into value chains which are sourced from different parts of the world where they are produced at the best value for money. Higher tariffs than competitors' or protectionist regulations make it difficult for local producers to integrate into value chains, especially at their higher ends. A proof that tariff protection of the internal market is of limited interest to developing countries is the fact that nearly all of them – and in particular LDCs – have lower applied tariffs than the ones they are allowed to have under their WTO commitments (bound tariffs). There are many other and more efficient ways to achieve the goals of maintaining a family-based rural development and developing an industrial base.

Exemptions from international rules

It has long been widely held that some international trade rules were too constraining for developing countries (in particular LDCs) and/or that they were not in line with their development needs. While it is true that today's developed economies enjoyed long and stable periods of protection of their economies, requesting the same rights and flexibilities in today's globalised world is no longer possible. Using the opportunities of the global economy for "leapfrogging" development requires other and new instruments and policies such as accepting best international practices and standards, embracing e-commerce and specialising for the export of niche services and products that will help developing countries integrate into global and regional value chains. In this context, S&D needs to be redesigned so as to meet today's challenges. For developing countries and LDCs, this should imply full adherence to international rules and standards that are supportive to their development, albeit with transitional periods and support from more developed economies.

Towards a new approach

Developing countries, and especially LDCs, need policy space to kick-start their development. This, however, does not mean exemptions from inadequate rules, but rules that are conducive to development. Refusing to take commitments excludes, de facto, LDCs from defining the rules that will govern future trade. This means that developing countries essentially need three things: (1) international rules that are development-friendly, (2) time to adjust to the new rules, and (3) support in setting up the instruments that will allow them to follow those rules.

Lower-income developing countries, including LDCs, have a great interest in participating in the elaboration of rules on services and e-commerce and should not accept that those rules are defined without them in plurilaterals. If plurilaterals – such as TISA – are unavoidable, poorer developing countries should do everything in their power to ensure that they are concluded within WTO and not outside by defining the minimum development principles that they should follow and by accepting to integrate them into the WTO framework (through the Annex 4 procedure) if they follow this set of clearly defined development principles.

In the run up to the WTO's Eleventh Ministerial Conference (MC11) in Buenos Aires, lower-income developing countries may consider the following approach.

First, their primary objective should be the defence of the inclusive multilateral trading system, which is under attack by some big trading powers. Repeating the same old requests that have not delivered so far leads to confrontation, not consensus. A MC11 that provides justification to the detractors of the inclusive multilateral trading system, and helps them argue that it is an ineffective way of negotiating, has to be avoided at all cost. The world has changed, the process of negotiation has become more complex, and the WTO is only one of many fora that are used to defend and promote trade interests. Developing countries have changed too and some of them have become major players in the world economy, creating new opportunities and new threats to the development of poorer countries. LDCs themselves have become more economically diversified and integrated into the world economy. Developing outside the global system is no longer an option: all countries are integrated, in one way or the other, into value chains – LDCs mostly by providing raw materials, i.e. at the bottom of the value chain. Their objective is, and has to be, to climb the value chain and to get a bigger share of the value added.

Second, this changed environment requires new policies and new approaches. This means that LDCs – and by the way also their partners – should consider redefining their negotiating strategies and, with that in mind, adjust their negotiation positions at the WTO and other regional and multilateral bodies when it comes to S&D. Given that the S&D negotiations do not seem to be leading to a satisfactory outcome for developing countries and LDCs, some soul-searching and re-consideration of positions should be done. The Sustainable Development Goals (SDGs) will not be achieved by waiting for S&D

to yield success. Simply restating positions – as justified as they may be – which have not produced results is not an option.

Third, to save the system, all members – and in particular those that depend on the multilateral trading system the most, i.e. lower-income developing countries – need to take a pro-active and consensus-oriented approach in Buenos Aires.

Fourth, to play an active role in the negotiations, lower-income developing countries have to accept to take commitments commensurate with their ability and development level. The so-called "round for free" approach marginalises them in the negotiations and is not necessarily the best option for their development.

Fifth, lower-income developing countries should vigorously defend the development objective of the DDA and the principle that their special needs and limitations should be taken into account: (1) reaffirming and strengthening the commitments taken in Hong Kong, Bali, and Nairobi remains a priority; and (2) reaffirming the development objectives of the round is essential.

Sixth, they may want to propose rules that are conducive to development, including special and differential treatment provisions that allow them to adopt best practices, rather than ask for exemptions from rules that are inadequate for their development needs.

Seventh, rather than refusing to discuss new topics, they could highlight how, from their perspective, they should be discussed, and what measures would need to be taken to ensure that they do not replace negotiations on the unresolved issues of the DDA. Indeed, the interests of poorer developing countries in the traditional areas of DDA should not be neglected.

Finally, lower-income developing countries may consider accepting plurilateral approaches to the negotiations as a second best solution – if for no other reason than the fact that they cannot block them – but insist on how they should be handled to ensure that development objectives are not forgotten and that they do not lead to a change in the objectives of the DDA.

It is uncertain whether such an approach could really help salvage MC11 and lead to a reinvigorated new negotiation round. It is, however, certain that repeating old positions will not lead to results. Unless a new approach is tried, we will never know if it had a chance. There is nothing to be lost, as the alternative would further undermine the inclusive multilateral system and put at risk its pivotal role as the central rule-making body of international trade relations.

① By "lower-income developing countries," I mean countries that fall within two of the World Bank's income level categories, namely "low-income economies" and "lower-middle-income countries". See: <http://bit.ly/2otKj52>. Low-income developing countries thus include LDCs, but not only.

② Australia, Canada, Chile, China, EU, Eurasian Economic Union, Iceland, India, Japan, Korea, New Zealand, Norway, Switzerland, Turkey, Chinese Taipei, Tajikistan, Thailand, and the USA



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AGRICULTURE

WTO Talks on Agriculture: What Can LDCs Expect from Buenos Aires?

Jonathan Hepburn

Agriculture is again set to be a central negotiating issue in talks at the WTO's Eleventh Ministerial Conference. Trade-distorting subsidies, including for key LDC exports such as cotton, are on the negotiating table, along with other topics. What can LDCs expect?

New estimates from the UN Food and Agriculture Organisation indicate that around a quarter of people in LDCs are undernourished – or 232 million people. With world leaders pledging two years ago to end hunger and malnutrition by 2030 as part of the Sustainable Development Goals (SDGs), can WTO talks on agriculture contribute to this goal ahead of the ministerial conference in Buenos Aires this December?

The zero hunger goal, SDG2, commits governments to "correct and prevent trade restrictions and distortions in world agriculture markets" as a means to achieving the objectives that governments have set in this area.^① It should be seen as part of a far broader agenda which also has far-reaching implications for the global food system, trade included: overcoming poverty and inequality, tackling climate change, safeguarding the marine environment^②, and promoting sustainable production and consumption patterns, among other things. While the WTO's Nairobi ministerial conference two years ago took a step forward by agreeing to end agricultural export subsidies – a target mentioned explicitly under SDG2 – it remains unclear whether countries will be able to build on this by agreeing to further action on agricultural trade at Buenos Aires.

While negotiators from LDCs and other groups are having to contend with a new scepticism about multilateralism in some quarters, they are also struggling to navigate deep-seated differences over how best to update global rules on farm trade – disciplines which today are over two decades old. Some of these differences burst into the open at the Nairobi conference, when ministers agreed to disagree over whether to reaffirm the Doha Round negotiating mandates from 2001 – even as they asserted that all WTO members sought to make progress on outstanding Doha issues.

Two years later, countries have tabled a spate of new negotiating proposals on agriculture, with many focusing on the thorny question of farm subsidies – a topic which LDCs have repeatedly said needs urgent attention. This issue is high on the agenda for the meeting in Argentina, along with how WTO farm subsidy rules affect the ability of developing countries to buy food at subsidised prices as part of their public stockholding programmes for food security purposes, and the long-standing issue of cotton, which West African countries have highlighted in particular. Improved transparency on agricultural export restrictions, and an exemption on their application to humanitarian food aid, could also be part of an eventual Buenos Aires package.

However, if satisfactory solutions cannot be found at the upcoming ministerial, they may be included under a work programme to be pursued after the conference – along with other non-agricultural areas. Trade officials say this could also include negotiations on agricultural market access; a "special safeguard mechanism" to protect developing country and LDC producers from sudden surges in import volumes or price depressions; and "export competition" issues, such as rules on agricultural state trading enterprises, that were left unresolved in Nairobi.

Domestic support

LDCs tabled a detailed proposal on agricultural domestic support in January, calling for a cap on overall trade-distorting support to be agreed by the ministerial, covering highly

trade-distorting "amber box" and "de minimis" support as well as production-limiting "blue box" payments.^② Caps on support to products of interest to the group should also be agreed by the ministerial, the submission says, and in particular on support to cotton. ICTSD [research](#) suggests that establishing product-specific support limits of this sort could be particularly important for key products in LDCs such as cotton, sugar, and poultry – all of which are highly distorted on global markets – as well as for certain kinds of fruit, vegetables, and nuts.

The LDCs' proposals share both commonalities and differences with those put forward by major trading powers in the talks. These have seen gaps emerge between the stance of large developing countries, such as China and India, and countries that have long provided trade-distorting farm subsidies, such as the US and EU. While the former have called for the elimination of trade-distorting "amber box" support, they also favour maintaining current flexibilities for developing countries to provide "de minimis" support – which the US in particular fears could still distort markets. Meanwhile, G-10 countries with highly-protected farm sectors such as Japan, Norway, and Switzerland have argued that China and India's stance makes unrealistic demands of them, while those in the African, Caribbean and Pacific (ACP) group have [backed up](#) the large developing countries' stance.

A June [proposal](#) from the EU, Brazil and three other agricultural exporting countries sought to advance a different approach. The paper called for new ceilings to be established on overall trade-distorting support, to be set as a share of farm output, and seeks to incentivise countries to report more current and accurate data to the WTO. Developing countries would be able to provide more support than developed countries, or introduce new ceilings at a later date, while there would be no constraints on support provided by LDCs. Crucially, the proposal sought to link new rules on farm subsidies with the issue of the procurement of subsidised food under developing countries' public stockholding programmes for food security purposes – a move which China, India, and other countries in the G-33 negotiating group said was unacceptable.

Another cluster of countries also has had difficulties with the EU-Brazil approach, but for different reasons. Australia, New Zealand and some other agricultural exporting countries have called for ceilings expressed as a fixed monetary value – rather than ones that tend to increase as the value of farm output grows. A proposal from these countries was [tabled](#) in October, offering a menu of different approaches to setting a ceiling, with options covering major countries, high-subsidising economies such as the G-10, and smaller developing countries – with LDCs exempt from any support ceiling. ICTSD analysis has [explored](#) how various approaches to capping trade-distorting agricultural domestic support could affect subsidy levels in key countries in the talks.

Public stockholding

Fewer new ideas have been put forward in a separate but related topic in the talks, the issue of public stockholding for food security purposes. Large developing countries had first raised this question ahead of the Bali ministerial conference in 2013, when rapid food price inflation meant they feared they could breach existing WTO rules on farm subsidy levels. A temporary deal was struck whereby other countries agreed not to bring disputes in this area at the WTO, in exchange for more detailed information on how these support schemes were operating and other conditions. WTO members later agreed that this deal would apply until a permanent solution had been found. While China, India, and other G-33 countries favour an exemption for these support payments under WTO rules, agricultural exporting countries favour an outcome that builds on the Bali deal. With the WTO "de minimis" ceiling for developing country trade-distorting support set as high as 20 percent of farm output value, most LDCs are unlikely soon to breach current limits – though some still warn they may need greater flexibility in the future, and others emphasise the need to prevent subsidised stocks being inadvertently exported onto world markets.

Cotton

The C-4 group of West African cotton-producing LDCs tabled a proposal on cotton in October, sponsored by group members Benin, Burkina Faso, Chad, and Mali.^④ With exports in 2013 worth US\$1.5 billion, the crop was the second most important agricultural export for the LDC group after coffee. The new paper calls for a cap on the overall level of trade-distorting support for cotton, as well as measures on "green box" support – which is required to be only minimally trade-distorting under WTO current rules. Countries that have committed to a ceiling on highly trade-distorting "amber box" support at the WTO would be subject to cuts on overall trade-distorting support for cotton, ranging from 70 to 90 percent depending on how high subsidies were in a historical reference period. Because the proposal would not require new commitments from developing countries such as China and India, developed countries such as the US have not seen the proposal as a good basis for further talks.

Export restrictions

With countries wary of making ambitious proposals in the talks, submissions on agricultural export restrictions have largely focused on small steps to improve existing rules. A Singapore paper proposing improved transparency in this area has for the most part been broadly welcomed by members. The submission also proposes exempting humanitarian food aid purchased by the World Food Programme from these restrictions. The LDC group previously proposed stronger rules on agricultural export restrictions as part of a comprehensive negotiating submission two years ago, in the wake of a series of food price spikes that were particularly hard to bear for consumers in poor food-importing countries.

Beyond Buenos Aires

Achieving the zero hunger ambition of SDG2 means that "business as usual" is not a feasible option. Governments will need to move beyond incremental steps forward, and instead embrace a paradigm shift in the governance of the global food system if they are to transform their commitments in this area into reality. When they meet in Buenos Aires, trade ministers from LDCs and other negotiating groups will have an opportunity to demonstrate that the WTO can help contribute towards the achievement of broader public policy goals, both by taking concrete steps forward to correct and prevent trade restrictions and distortions in world agriculture markets, and by agreeing on an agenda for future action in this area.

^① For a more detailed discussion of how policies affecting trade relate to food security in the 2030 Agenda, see Díaz-Bonilla, Eugenio, and Jonathan Hepburn. "Overcoming malnutrition: Why policies on trade and markets matter." *Bridges Africa* 5, n°8 (October 2016). <http://bit.ly/2y2XWks>

^② See article by A. Tipping on fisheries subsidies in this edition.

^③ In developed countries, "de minimis" is capped at 5 percent of the value of production for product-specific support plus another 5 percent for non product-specific support. Developing countries are allowed twice this amount, although China accepted lower caps set at 8.5 percent of the value of production when it joined the WTO.

^④ The C-4 countries are among the top 9 LDC cotton exporters, alongside Mozambique, Tanzania, Zambia, Togo, and Sudan.



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AID FOR TRADE

How is the Enhanced Integrated Framework Supporting LDCs to Unleash their Trade Potential?

Ratnakar Adhikari and James Edwin

Inadequate institutional and productive capacities constitute major impediments to the participation of least developed countries in global trade. How is the Enhanced Integrated Framework supporting them, particularly in Africa, in their efforts to overcome these barriers and benefit more from trade?

The Enhanced Integrated Framework (EIF) is the only global programme dedicated to assisting least developed countries (LDCs) in using trade as an engine of growth, sustainable development, and poverty reduction. It does so through a partnership of donors, international agencies, and LDC governments. First, the EIF offers institutional help to LDCs to build their capacity to trade, as well as to create a policy, regulatory, and strategic institutional structure underpinning the national trade agenda. Secondly, it provides solid support in implementing prioritised projects which are aimed at addressing constraints in the trade-related productive sectors that inhibit LDCs' participation and at increasing their share of global trade. Country ownership is at the core of the EIF, placing LDCs in the driving seat to determine, prioritise, and implement trade-related interventions. The EIF supports 51 countries, including all 33 LDCs in Africa.

Building LDCs' trade capacity

On the institutional front, in 2016 alone, over 11,000 public officials as well as 5,000 private sector officials in 40 LDCs were trained in trade-related areas, including trade facilitation, global value chains, standards and quality, enterprise development, taxation, trade policy formulation, implementation of trade reforms, trade mainstreaming, and gender mainstreaming in trade. On average, 30 percent of the trainees were women. The knowledge gained facilitates inclusive participation in the national trade agendas of LDCs.

Aid for Trade in LDCs is better delivered when key actors, in both the public and private sectors, work together on the national trade agenda. The EIF has helped 33 countries to establish trade coordination mechanisms which allow development partners to maintain a dialogue on trade-related issues, monitor trade-related activities, and ensure that initiatives are complementary, avoiding duplication of efforts. Such mechanisms include high-level dialogue between government and the private sector on trade policy issues, consultations between government and donors on interventions in the trade sector, and working groups spanning the trade sector.

On the policy front, inadequate and outdated trade policies are major constraints on LDCs' capacity to trade. In response, through its institutional support, the EIF has helped 35 countries (including three graduated LDCs) make trade a key component of their national development plans. Twenty-one countries have produced updated trade policies which identify trade-related priorities in trade in goods and services at both regional and global levels.

In order to effectively mainstream trade into the national development agendas, the EIF has supported 32 LDCs in linking their sector strategies to their trade policies. The aim is to integrate trade into at least three productive sector strategies, which can include agriculture, tourism, energy, industry, information and communication technology, and transportation, as well as cross-cutting areas such as the environment, hard infrastructure, e-trade, gender equity, and micro, small, and medium-sized enterprises (MSMEs). The EIF also assists in ensuring that the process for developing a trade policy and trade strategies includes effective stakeholder engagement and is gender-inclusive, with a focus on helping the poor.

Closely linked to the trade policies and sector strategies is an analytical study called the Diagnostic Trade Integration Study (DTIS), which has been produced in 31 countries with the EIF's support. This evidence-based study enables countries to analyse their macroeconomic outlook, potential business and regulatory reforms, trade in services, trade facilitation, and competitiveness. The effective use of the DTIS is imperative if LDCs are to have a clear strategy for mainstreaming trade into their national development plans and productive sector strategies. It is also vital in identifying bankable projects aligned with the identified priorities for future interventions from donors and development partners and/or for foreign direct investment.

The EIF also provides catalytic support to these bankable projects. As of now, the EIF has supported 40 such projects in 29 countries. These projects address sectoral and cross-cutting priorities with potential for development that empowers people, especially the poor, to both participate in, and benefit from, economic growth through job creation, increased revenue and facilitation of a constant income flow.

An overwhelming majority of these projects focus on export productivity increases and export-oriented business development, specifically targeting MSMEs. The 189 MSMEs that have been supported by the EIF have created employment in labour-intensive sectors, including agro-processing, services in the tourism sector, and the textile and apparel industry, all of which have a high level of participation by women.

To list but a few examples, in the Gambia three cashew processors have adopted new packaging technologies which have enabled them to sell to local supermarkets and hotels. Improvements in horticultural production in Lesotho has led to a monthly cash income of US\$80 for farmers who previously earned very little. In Burkina Faso, 1,020 new jobs were created in 2016 at 17 new dried mango processing units, leading to increased exports. Between 2014, when the project was initiated, and 2016, exports of dried mangos increased from US\$3.9 million to US\$10.2 million, translating into growth in exports of 160 percent. In Zambia, 6,580 beekeepers (30 percent of them women) have been trained in improved beekeeping methods, leading to at least a 60 percent improvement in the quality of the honey.

A challenging environment

The EIF works with the most challenging countries in the world. Not only are LDCs characterised by pervasive poverty and dependence on development assistance, but some are also geographically isolated and vulnerable, including small island developing states such as Comoros.

Besides these physical impediments, national governments face challenges such as natural disasters (such as the recent mudslide in Sierra Leone); outbreaks of disease (the Ebola epidemic in West Africa); and political upheavals (in Burkina Faso, Central African Republic, Somalia, and South Sudan). Some of these events destroy infrastructure and divert both human and financial resources to other sectors than trade. These impediments affect governments' commitment to and ownership of the EIF programme, sometimes leading to long-term disruption.

The EIF countries also have specific characteristics that are factored into each country's programming, including in terms of human and institutional capacity, speed of delivery, government commitment, donor and private sector engagement, ability to leverage resources, and so on. This means that the EIF has to identify how the various characteristics fit into the overall programme, finding ways to tailor the programme to fit a country's needs. Equally, the EIF is mindful of its obligation to effectively and efficiently manage donor resources and to be accountable to the entire partnership. Risk management, including but not limited to fiduciary risk, is embedded in the EIF's processes in helping to achieve progress in trade development in the world's poorest countries.

Future perspectives

No LDC left behind

The EIF is fully aligned with the Sustainable Development Goals (SDGs) and follows the principle of leaving no LDC behind. SDG 17 calls for revitalising the global partnership for sustainable development, and SDG target 17.11 calls for doubling the share of LDC exports by 2020. As an equal partnership between LDCs, EIF donors, and EIF international agencies, few organisations embody the spirit of SDG 17 more than the EIF. The EIF is best positioned to bring all stakeholders to the table and to coordinate their efforts in helping LDCs to double their export share. In fact, the SDGs specifically mention the importance of the EIF in achieving SDG target 8.a which calls for increasing aid for trade to LDCs, including through the EIF.

Emphasising gender and the environment in programming

The expansion of trade brings growth, as well as new opportunities, but it impacts men and women differently. The EIF will continue to support the sound trade and development policies required to promote a gender-inclusive perspective in the design and implementation of trade-related programmes, particularly empowering women to participate in the productive sectors that are growing through trade. The EIF will also continue to promote environmentally sustainable growth with regulatory frameworks that protect the environment.

Leveraging resources for private sector growth

The EIF uses aid to drive economic reforms and stimulate trade, so that the increased trade can lead to greater opportunities for investment and further trade. Acknowledging that the EIF's investment should be catalytic, the programme is expanding its donor base to include philanthropic organisations and to promote South–South and triangular cooperation. LDCs in turn are responding to this drive by using the EIF mechanism to mobilise financing and expertise for their trade development agenda through various forms of blended funding –including government and private sector, government and bilateral donors, government and the EIF, EIF and bilateral donors, EIF and international agencies, and EIF and private sector resources.

New issues

In line with recent global trade developments and projections of future trends in the global trade discussions, the EIF is enhancing its programming to include new aspects which will impact LDCs' trade development, including regional integration, e-trade and connectivity, as well as global value chains.

Resource constraint

Faced with several constraints in their efforts to boost their productivity and fully participate in global trade, LDCs need distinct and targeted support, both technical and financial, from domestic and foreign development partners. Such support is crucial to improving efficiency for commodity-dependent LDCs. The current levels of financial support to the EIF are not sufficient to achieve its mandate, as stipulated in SDG 8.a. Consequently, the EIF is opening up access to resources from both traditional and non-traditional donors.

Conclusion

A number of institutional and resource constraints continue to work against LDCs' capacity to increase their share of global trade. However, even in the face of these global and individual challenges, LDCs show some remarkable resilience, reinforcing the need for the EIF's continuous engagement and support so they can use trade for stronger inclusive economic growth and poverty reduction. The EIF, as the overarching framework to coordinate the delivery of aid for trade to LDCs, will continue to help address these constraints, monitor risks, and institute mitigation measures. Aid to LDCs is better delivered when their trade agenda is fully owned by the country, and when key stakeholders in both the public and private sectors work together on the national agenda. It is this partnership approach, now aligned with the SDGs, that has helped the EIF achieve the desired impact on the ground.



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WTO

Can All Topics Be Addressed at the WTO? An African Perspective

Cheikh Tidiane Dieye

Since its inception, the WTO has always been marked by tensions over the scope of the issues it should cover. This article aims to shed light on a debate which, in all likelihood, will only intensify in the future.

The debate on extending the scope of the WTO is not new; it was inherent in the birth of the organisation. From the very beginning, the WTO embraced new fields such as trade in services and intellectual property. Unlike the GATT, which only had statutory power over goods, the broadening of the issues covered by the WTO began as early as the Marrakesh negotiations, through the establishment of thematic working groups where work was to be guided by three principles^①. The first principle stated that the liberalisation of world trade must continue and must be deepened and broadened to include issues such as trade in services – in addition to trade in goods – but also trade-related issues such as investment and public procurement, among others. The second principle stressed the need to ensure that the expected effects of trade liberalisation were not diluted or undermined by the erection of non-tariff barriers – administrative or private – in particular in the areas of international trade procedures, labour standards and competition policy. The third principle focused on the link between trade liberalisation – presented as a maxim – and global objectives such as safeguarding the environment, promoting sustainable development and protecting human rights.

Is trade a "total social fact"?

The growth and rapid expansion of trade in goods and services and its now recognised role in the creation of wealth and the speeding up of economic and social development within nations have given rise to the feeling that it could take over the entire scope of human reality. It is thus considered by some as a total social fact, i.e. a phenomenon that sets in motion the whole of society and its institutions, according to the French sociologist and anthropologist Marcel Mauss. Trade would thus be considered the most important determinant of relationships and interactions between the nations of the world, from antiquity to present day, influencing their political, economic, social, and even cultural ties in whole or in part. From this point of view, anything that is worthy of interest when it comes to improving human life and that can be traded for the purpose of creating and sharing wealth can be discussed at the WTO. One only has to look at the range of areas already covered by the negotiations to see the extent of its scope: agricultural and industrial goods, intellectual property and its socio-cultural ramifications, investment, services and their hundreds of sub-sectors, fisheries, environmental goods and services, etc.

According to some, the WTO would be the best place to discuss all trade-related issues, since its members all have the same power to accept or reject the issues introduced and since the common rules they adopt are approved by consensus. A clear conflict has quickly emerged on this issue, however, between the members who support and promote the expansion of the WTO's scope to new issues, mainly developed countries, and those who oppose it, namely most of the developing countries.

The confrontation between these two visions of the WTO and its scope and remit has risen in intensity over the years. It has grown as the multilateral trade system has become more complex. A number of factors have contributed to this complexity, including the multifaceted crises faced by the WTO, the arrival of new member states that has upset earlier balances and caused a shift towards greater multipolarity, and the influence of external stakeholders who have developed a structured – often critical – discourse on

the way the WTO operates and the expansionary views of some of its members. These include primarily international civil society organisations, in particular non-governmental organisations, trade union organisations, farmers' movements, etc.

Marking the WTO's boundaries

The proponents of the expansionist vision of the WTO saw their first call to order only one year after its inception. At the Singapore ministerial in 1996, there was a fierce confrontation over the "social clause." The compromise – both technical and political – that was reached has helped satisfy both sides, firstly by recognising the importance of "observing internationally recognised core labour standards" and secondly by stating that the International Labour Organization (ILO) is "the competent body to set and deal with these standards." This provision therefore rejects the WTO's competence in the field of labour standards and regulation.

In truth, even though it is clearly difficult to isolate economic and social reality and draw a watertight line between what is trade and what should be excluded from it, we can, however, define the issues that could be the subject of trade negotiations or regulation at the WTO using ethical principles, justice principles, or economic, environmental, or social sustainability principles. Even those who had so far been in favour of almost unconditional trade liberalisation and the almost complete coverage of economic and social realities by the WTO increasingly accept the possibility of removing certain aspects from trade negotiations based on economically or ethically justified arguments. Social and environmental issues, as well as those related to human rights, health, or food, cannot be subject to the same liberal rules as traditional areas of trade. Trade liberalisation has long been considered by some to be an impassable horizon. It would mark the "end of history," enshrining the best system for the creation and distribution of wealth and well-being in the world. They now realise that, while liberalisation has undoubtedly resulted in gains, these gains are not distributed equitably between countries and between social groups within countries. Some win while others lose.

While some countries – including African countries – are currently reluctant to commit themselves to the issue of e-commerce at the WTO, this is not because they are unaware of the importance of this topic.

At first sight, the introduction of new issues into the ambit of WTO negotiations should not be an issue, provided that the right questions have been raised beforehand and certain conditions are met. Why, for whom, and for what purposes is an issue introduced in WTO talks? What positive or negative effects could the introduction of these issues have on people's actual lives?

Here are some practical examples. In 2003, in Cancun, developing countries rejected Singapore issues, which had been included in the WTO's work programme since 1996. This was not because they did not recognise the usefulness of investment, public procurement, and competition policy, but rather because they felt that the inclusion of these subjects was premature and that optimal conditions were not yet in place. These issues would have added to the WTO's work programme and placed undue pressure on the meagre technical, financial, and human resources of developing countries. Similarly, while some countries – including African countries – are currently reluctant to commit themselves to the issue of e-commerce at the WTO, it must be acknowledged that this is not because they are unaware of the importance of this topic. E-commerce is already an essential part of economic activity and citizens' lives in many developing countries.

Truth be told, some issues are not rejected by the WTO because of their intrinsic nature. Labour or environmental issues, for example, are inextricably linked to the trade

ecosystem. It can be argued that the problems do not come so much from the issues raised as from the system itself. The system's unfulfilled promises, which partly fuel frustration and criticism of the WTO and multilateralism, have led many stakeholders in the North and South to question the organisation's ability to deal fairly with certain fundamental issues.

Development is the ultimate aim

Development is a right for every human being and every nation. Many countries have already attained developed country status and intend to keep it. An even greater number legitimately dream of achieving it. For a while, the WTO supported this dream and positioned itself as one of the leading global institutions that could support developing countries in achieving their development goals.

This hope is best understood by analysing the Doha Development Agenda, which arose from two major events. The first was an unfortunate event: the failure of the Seattle Ministerial in 1999, which was unable to prove that the WTO would create the right conditions for a fair, open, and equitable global trade system. The second event was more positive: the launch of the Millennium Development Goals (MDGs) in 2000, including Goal 8 to build a global partnership for sustainable development. Ambitious quantitative and qualitative targets were set to support the realisation of this objective.

In 2001, the Doha ministerial conference adopted a generous political declaration, which was full of references to development and promises of technical assistance and capacity-building, with particular emphasis on special and differential treatment (S&DT). Unfortunately, the flowers of Doha did not produce the fruit that was promised. Then, in Nairobi, tired of having to justify their broken promises each time, developed countries – particularly the US and the EU – tried to bury Doha. As a result, the Nairobi Ministerial Declaration officially split the WTO in two for the first time: those who wanted to pursue the Doha Agenda and defend the emphasis on a multilateral approach to negotiations, including the choice of issues on the agenda, and those who wanted to use other approaches, such as plurilateral negotiations, regional trade agreements (RTAs) or mega-RTAs.

The emphasis on liberalism in the 1990s led some members to refer tasks to the WTO that went beyond its capabilities. These tasks need to be rethought and refocused around regulatory objectives in specific areas directly related to trade, as part of a reform of the WTO for which many stakeholders are calling. Above all, however, it is perhaps necessary to recognise that the field of action has become too broad and touches on interests that have become too varied and complex for consensus to be easy – or even possible – among 164 members.

① Siroën, Jean-Marc. "L'OMC face à la crise des négociations commerciales." *Les études du CERI*, n°160 (2009).



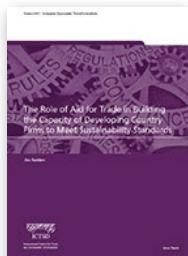
Cheikh Tidiane Dieye
Executive Director of the Centre africain pour le commerce, l'intégration et le développement (Enda Cacid).

Publications and Resources



What Could WTO Talks on Agricultural Domestic Support Mean for Least Developed Countries? – ICTSD – October 2017

This paper examines the implications of various negotiating options at the World Trade Organization for the group of least developed countries (LDCs). It looks at historical and projected trends in LDC production, consumption, and trade to highlight products that are important to the group; reviews key elements emerging from negotiating submissions; and assesses how these proposals could affect products of specific interest to the LDCs. <http://bit.ly/2gndm8e>



The Role of Aid for Trade in Building the Capacity of Developing Country Firms to Meet Sustainability Standards – ICTSD – October 2017

One of the major contemporary challenges facing developing country firms, and especially small and medium-sized enterprises (SMEs), is the ever increasing number of regulations and sustainability standards required of them if they are to integrate into global value chains. This paper focuses on the potential role that aid for trade can play in assisting those developing country SMEs and small producers who are struggling to comply with the sustainability standards required by value chains. <http://bit.ly/2zfzwRU>



Information Economy Report 2017: Digitalization, Trade and Development – UNCTAD – October 2017

The digital economy has already had, and will continue to have, globally transformative impacts on the way we live. The scope and uncertainty associated with the next digital shift call for more facts, dialogue and action by all stakeholders. The analysis contained in this report contributes to this process and proposes ways in which the international community can reduce inequality, enable the benefits of digitalization to reach all people and ensure that no one is left behind by the evolving digital economy. <http://bit.ly/2xMumwz>



Looking for a Permanent Solution on Public Stockholding Programmes at the WTO: Getting the Right Metrics on the Support Provided – E15 Initiative (ICTSD and WEF) – October 2017

The WTO rules on public stockholding programmes have been under discussion among member countries for quite some time and are likely to be at the heart of the Eleventh WTO Ministerial Conference. This article proposes a new approach to advance toward a permanent solution on this issue. The author provides a systematic analysis of the biases in current WTO rules for estimating the support provided to farmers through such programmes and puts forward a proposal to correct them. <http://bit.ly/2lkRwY6>



Reforming Logistics Services for Effective Trade Facilitation – ITC – October 2017

Difficult customs procedures, barriers to investment, and labour regulations limiting movement and hiring of personnel are the most stringent obstacles for logistics services providers in developing countries. The report offers practical guidance for policymakers and logistics services providers to drive regulatory reforms in the sector – including through coordination and dialogue between key stakeholders –, a stepping-stone towards connecting small businesses to international markets. <http://bit.ly/2fUoUmO>



Towards an Indicative List of FDI Sustainability Characteristics – E15 Initiative (ICTSD and WEF) – October 2017

At a time when the Sustainable Development Goals have become the lodestar for policymaking, it is important for national and international efforts in the investment area to contribute fully to the achievement of these goals as well. This paper presents an indicative list of sustainability characteristics of foreign direct investment that are SDG-supportive provides guidance to such efforts, helping to ensure that investment law and policy play an important role in this regard. <http://bit.ly/2zqvOW4>



Small-scale Fisheries and Subsidies Disciplines: Definitions, Catches, Revenues, and Subsidies – ICTSD – September 2017

This information note summarises how small-scale fisheries are identified in international instruments and academic literature and provides estimates of the proportions of total catch, landed value and subsidies that are generated and received by this sector. It provides specific suggestions, based on the findings reported in the paper, of how this socio-economically important sector could be distinguished in the context of subsidy rules in the World Trade Organization. <http://bit.ly/2hAtbsa>



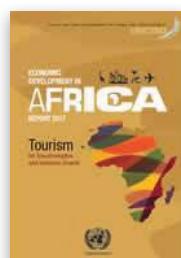
Leveraging the Services Sector for Inclusive Value Chains in Developing Countries – ICTSD – September 2017

This paper analyses how increased competitiveness in services can drive sustainable development opportunities in value chains in developing countries. By arranging the services components of value chains in the most socially and economically optimal manner, new opportunities for the private sector can emerge, domestic supply-side capacity can be enhanced, and steps towards the achievement of sustainable development objectives can be made. <http://bit.ly/2xOrn9u>



New Pathways to E-commerce: A Global MSME Competitiveness Survey – ITC – September 2017

This first ITC e-commerce survey provides valuable insights that will allow countries to shape policies and practices that address the real business needs on the ground. It surveys 2,200 micro, small and medium-sized enterprises (MSMEs) in 111 countries, and identifies key factors for MSMEs to be able to benefit from e-commerce – including better access to e-platforms, payment and delivery services; streamlined customs procedures; and targeted skill building. <http://bit.ly/2jYwldF>



Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth – UNCTAD – September 2017

Tourism is an important sector in many African economies, and its growth is increasingly driven by tourists originating from the continent itself. However, most African countries still face significant challenges and constraints in exploiting its potential. This report identifies the main barriers to unlocking the potential of tourism in Africa to help structurally transform the continent's economy and provides policy recommendations on how to overcome them. <http://bit.ly/2tPV7Rg>



Fuelung Digital Trade: The Global Landscape and Implications For Africa – ICTSD – July 2017

The purpose of this paper is to propose specific ways in which developing countries can best fuel trade in the digital era. It pays special attention to eastern and southern Africa, regions where e-commerce is still quite nascent and can play a transformative role. The paper argues that gains from digitisation to trade and growth are not automatic in developing economies. Rather, these gains depend on an adequate infrastructure and on supportive policies. <http://bit.ly/2jFlbtc>

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